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SUBJECT: ENERGY SECURITY: FRENCH GOALS ON CENTRAL ASIA/CASPIAN

¶1. (SBU) Summary. In a September 17 meeting with MFA Director for Economic Affairs Christian Masset, Special Envoy for Eurasia Energy C. Boyden Gray shared concerns over Caspian Basin supply diversification issues and the need for greater EU engagement with Central Asia. Masset told Gray the issues were priorities for the French EU presidency, and were part of the rationale for the September 17-18 EU-Central Asia Ministerial Forum on Security Issues in Paris (which would feed into a Baku Initiative meeting scheduled for late November). Masset said France wanted to pursue a balanced, "triangular" relationship among Russia, Central Asia and the EU. Should Russia fulfill the Georgia ceasefire conditions, the November 14 Russia-EU Summit could provide a roadmap for the energy portion of a new Partnership and Cooperation Agreement. An MFA official debriefed econoff separately on the outcome of the EU-Central Asia Ministerial Forum. End summary.

Turkey and Iraq

¶2. (SBU) In a September 17 meeting with MFA Economic Affairs Director Christian Masset, Special Envoy Gray shared observations on the challenge of securing Caspian Basin energy supplies for Europe. Effective engagement with Turkey would be critical, given its key transit role, its challenging domestic politics and its own energy needs. On the latter, Turkey's interest in securing energy supplies from Northern Iraq would be complicated by the lack of hydrocarbon legislation in Iraq and complex Kurdish relations with the Iraqi authorities.

¶3. (SBU) Masset said the events in Georgia justified a new assessment of Turkey and its role as a hub, a role which the French support. While the EU needed a "good dialogue" with Turkey on energy, Turkey had made a "big mistake" on Nabucco and generally had an inflated sense of its bargaining power. Masset agreed with observations on Iraq, and noted in an aside that France "wanted to be present" economically in Iraq and would engage the U.S. further to that end.

Central Asia

¶4. (SBU) Masset said France shares U.S. views on the need to address security of energy supply in Central Asia and the Caspian countries, and had made the issue a priority for its EU presidency. Energy security in

Central Asia would be a theme of the first EU-Central Asia Ministerial Forum hosted by the French (para 7), and would be a topic for discussion at the European Council meeting in October.

Russia

15. (SBU) Masset said France will pursue a balanced triangular relationship among Russia, the EU, and Central Asia. President Sarkozy had made it clear to the Russians that either they fulfill conditions of the Georgia ceasefire by October 10, or face suspension of negotiations on a new strategic Partnership and Cooperation Agreement (PCA). If Russia complies, energy would be an important component of the November 14 discussions on a PCA. France envisions an "energy roadmap" with Russia based on the St. Petersburg principles that would also include concrete joint energy sector projects to highlight common interests.

16. (SBU) To strengthen its position with Russia, Masset underscored the importance for the EU to implement available "solidarity mechanisms" to better cope with energy supply crises and other eventualities that may hit member states asymmetrically. France realizes that Europe cannot do without Russia to meet energy supplies. It is also clear Russia will face a production shortage in the next decade. France will pursue a relationship of interdependence with Russia and push the GOR to approach energy security with a long-term perspective, he said.

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First EU-Central Asia Ministerial Forum

17. (SBU) Although presumably the elephant in the room at the EU-Central Asia Ministerial Forum, held in Paris on September 18, Russia did not come up in discussions, according to MFA desk officer Christophe Sammartano. The Forum included participants from the EU 27 member states, Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan and Kyrgyzstan, as well as the IEA and EBRD. The main subjects were terrorism and non-proliferation, human and drug trafficking, and energy and environmental security. Energy security discussions were designed to inform a meeting of the Baku Initiative (end November in Brussels), which will look at energy market conditions including energy resource management, infrastructure issues and routes, and energy efficiency.

18. (SBU) Sammartano noted that most participants assumed Central Asian energy interests were oriented toward the EU. Bulgaria reminded participants that the Central Asian countries are not limited to EU markets and would consider selling to other countries (China, Pakistan) in accordance with market principles. Romania expressed its desire to act as a link to the region. Hungary proposed to hold a conference on the Nabucco project in early 2009 (to which the U.S. will be invited) with the EU consortium members and producer, consumer, and transit countries.

19. (U) The declaration of the Forum included the following points, *inter alia*:

- reinforce cooperation in energy and harmonize interests of consumers and suppliers, transit states, and transnational companies to strengthen international energy stability;
- encourage diversification regarding potential transport options involving all the countries concerned and develop different hydrocarbon transport corridors to ensure energy supply for European markets and other international markets;
- in light of the conclusions of the energy ministers' conference in Baku in November 2004, focus on the development of regional energy markets and financing capacities for new infrastructure;

-- implement forward-looking energy policies and create an investor-friendly environment with an appropriate role for market mechanisms;

-- develop collaboration to exploit hydro-energy resources, taking into consideration the interests of all the regionQs countries;

-- provide EU support to the development of hydro energy in Central Asia to reduce greenhouse gas emissions without prejudice to the regionQs environmental security.

STAPLETON